

Executive Order 80 Proposed Agricultural Adjustment Rule



OCTOBER 16, 2012
IOWA NATURAL HERITAGE FOUNDATION
PRESENTATION
BY
JULIE ROISEN
IOWA DEPARTMENT OF REVENUE

Department of Revenue



- **Classifications of Property**
 - Agricultural; Residential; Commercial; Industrial
- **Standard of Valuation**
 - Agricultural Class Productivity Formula
 - ✦ Five year average yields and prices less expenses capitalized at 7%
 - ✦ Average productivity valuation statewide is \$1,803 per acre
 - ✦ Significantly less than Market Value
 - All Other Classes Market Value
- **Assessed Value**
 - Times Rollback
 - Less Credits & Exemptions
- **Taxable Value X Consolidated Rate = Tax**
 - January 1st 2011 Assessed Value for Taxes Payable 2012 & 2013

Responsibility



Department of Revenue

- Productivity Formula
 - 441.21 1.e *for Aggregate Agricultural Valuation*
- Soil Surveys > 1970's
- Not all Counties use CSR's

Local City/County

- Distribution of Agricultural Aggregate Valuation
 - 441.21 1.f *CSR is to be the distribution mechanism*
 - Other distribution mechanisms are in place

CSR's



- Corn Suitability Rating: composed of variety of factors
- Rating from 0 to 100 measures soils ability to produce corn.
- CSR II is still being developed and reviewed by soil scientists and not for general public use yet.
- NRCS web site but not finalized.
- CSR II has some changes in ratings.

CSR's



- Good measure of row crop productivity
- Not necessarily good measure for non-cropland productivity
- CSR model presumes non-cropland has low CSR
 - Not always true; sufficient examples to verify this
- High CSR on non-cropland results in valuation similar to cropland.

County Practices



- 93 Counties have digital parcel map layers
- At least 15 counties are not using CSR's
- 53 Counties continue to use manual processes for distributing the productivity valuation to individual parcels
- 44 Counties adjust using some mechanism for land use; either adjust CSR points or some other method
- 50 Counties do not adjust for land use
- 5 Counties do not know if there are adjustments for land use

County Practices



- Other methods than CSR's
 - Tillable A; B; C; Pasture A; B; C or other methods
- Adjustments across the state to non cropland CSR's range from 95% reduction on CSR points to 25%
- Other methods include reducing non cropland CSR points to 5
- Adjustments include:
 - Spots/lines soil survey; timber; permanent pasture;
 - frequently flooded; CRP; non-crossable
 - water; tiled or un-tiled ratings; permanent easements

How did we get here?



- **IDR authority**
 - No authority to tell Counties to adjust
 - No authority to tell Counties not to adjust
 - Code; Rules; Manual do not adequately address issues
- **2011:**
 - 10 Counties implemented GIS solutions to calculating CSR's
- **2009:**
 - 7 Counties implemented GIS solutions to calculating CSR's
- **Trend will continue:**
 - 4 Counties intend to implement GIS solutions to calculating CSR's for 2013

Proposed Rule



- Requires adjustment for land use
- Creates uniform & consistent method of adjustment for land use
- Resulting in transparency for taxpayers
 - Taxpayers will be able to know what the adjustment should be based on the rule as well as what should be adjusted.
 - Taxpayer expectation of the same treatment regardless of what county they own land in.
 - Transparency in valuation and resultant tax burden

Proposed Rule



- IAC 701 71.3(1) Would add additional language requiring assessors to adjust non-cropland with CSR ratings that are greater than 50% of the average tillable CSR rating for the county
- Would not change IAC 701 71.12 which is the productivity formula.

Proposed Rule



- **Discussion Items:**

- FSA CLU Land Use Layer
- CRP Land
- Building Site Areas
- Permanent Easements
- Frequently Flooded Land
- Spot Symbols
- Line Symbols
- Non-crossable Waterways
- Improved versus Unimproved Ratings
- Tillable Pasture
- Permanent Pasture

Proposed Rule & Current Exemptions



- **Forest & Fruit Tree Reservations**
 - Exemption is not impacted
- **Permanent Wetland or other Easements**
 - Variety of practices within counties
 - Rule would provide for uniform and consistent treatment between and among counties

Agricultural Adjustment Committee Stakeholders

- 
- Iowa Department of Natural Resources
 - Iowa Department of Agriculture
 - Iowa Department of Revenue
 - Iowa County & City Assessors
 - Iowa Corn Growers Association
 - Iowa Soybean Association
 - Farm Bureau
 - Iowa Cattlemen's Association
 - Iowa Natural Heritage Foundation
 - Sierra Club Iowa
 - Iowa Taxpayers

Proposed Rule Solution



- Digital GIS software applications for calculations of CSR points and adjustment based on rule
- FSA CLU land use or other reliable digital land use data for land use determination
- Current aerial photography or other known source data for visual review and accuracy
- USDA NASS data for non-irrigated cropland rent and pasture rent for development of adjustment factor
- Iowa State University CSR data (not CSR II at this point in time)

Summary



- **Proposed rule to require adjustments for non-cropland**
 - Types of non-cropland to receive adjustment needs to be determined and become part of the rule
 - Taxpayers will know what kinds of land are to be adjusted
- **Rule proposes a standard method of adjustment for uniformity and consistency**
 - Taxpayers will know how the adjustment should be made
- **Use of GIS tools in implementation**
 - Efficiency of implementation & repeatable
 - Cost effective requires less staff